

Axiata Group (AXIATA MK)

3Q25: In Line; Balance Sheet Optimisation Plan On Track

Highlights

- Axiata reported 3Q25 underlying net profit from continued operations of RM137m (-40% yoy; -17% qoq), which excluded gains on early debt redemption and Linknet goodwill impairment (RM167m). This brings 9M25 underlying net profit to RM343m, accounting for 80% of our full-year forecast, which we deem to be in line.
- Axiata improved its balance sheet health with net debt/EBITDA reduced to 2.61x in 3Q25 (2Q25: 2.76x). Monetisation of infrastructure assets including Edotco is likely to flow into 2026 timeline.
- BUY on share price weakness with a SOTP-based target price of RM3.00.

3Q25 Results

Year to 31 Dec (RMm)	3Q25	qoq % chg	yoy % chg	9M25	yoy % chg
Revenues	2,920.5	(1.5)	(45.1)	8,778.8	(47.8)
Reported EBITDA	1,362.5	(5.4)	(48.3)	4,021.7	(51.3)
Reported EBITDA Margin (%)	46.7%	(1.9)	(2.9)	45.8%	5.0
Reported Pre-tax profit	169.2	(25.1)	(88.2)	635.6	(71.9)
Reported Net profit	51.1	(81.1)	(94.8)	481.8	(58.9)
Underlying Net profit (continuing operations)	136.5	(16.7)	(40.2)	342.9	(37.8)
Cost Structure (% of revenue)	3Q24	4Q24	1Q25	2Q25	3Q25
Direct Expenses	9.2%	7.9%	7.8%	7.6%	10.3%
S&M	7.6%	6.4%	6.1%	6.0%	7.3%
Staff cost	7.4%	7.2%	7.2%	7.9%	11.7%
G&A +others	26.3%	28.3%	26.8%	29.8%	23.5%

Source: Axiata, UOB Kay Hian

Analysis

- 3Q25: Earnings within expectation.** Axiata Group (Axiata) reported underlying net profit from continued operations of RM136.5m (-40% yoy; -17% qoq) in 3Q25. The 3Q25 underlying net profit excludes a one-off gain on early Euro Medium Term Note (EMTN) redemption of RM175m and a goodwill impairment on Linknet amounting to RM167m due to intense competition and uncertainty surrounding fibre broadband connections. The weakness in core earnings also reflects XLSmart losses on the back of integration expenses, but is on track to deliver US\$150m-200m in merger synergies by end-25.
- 9M25: Results within expectations.** This brings 9M25 underlying net profit to RM343m (-38% yoy), accounting for 80% of our full-year forecast but below consensus full-year expectation at 62%. We deem the results within expectations as 4Q typically sees higher year-end opex.

Key Financials

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	22,318.3	22,334.6	12,043.0	12,442.3	13,238.8
EBITDA	9,909.0	11,129.0	5,662.9	6,001.3	6,458.6
Operating profit	1,706.6	3,787.8	1,729.4	2,058.8	2,504.4
Net profit (rep./act.)	-1,315.1	946.8	427.7	595.2	864.7
Net profit (adj.)	409.9	852.2	427.7	595.2	864.7
EPS	4.5	9.3	4.7	6.5	9.4
PE	58.0	27.9	55.6	40.0	27.5
P/B	1.1	1.1	1.1	1.2	1.2
EV/EBITDA	5.1	4.4	8.4	7.7	7.0
Dividend yield	3.9	3.9	3.9	3.9	3.9
Net margin	1.8	3.8	3.6	4.8	6.5
Net debt/(cash) to equity	91.7	86.5	83.7	77.3	71.7
Interest cover	0.7	1.5	1.3	1.8	2.4
ROE	1.9	4.0	2.1	2.9	4.3
Consensus net profit	-	-	552.6	664.3	885.8
UOBKH/Consensus (x)	-	-	0.8	0.9	1.0

Source: Axiata, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM2.59
Target Price	RM3.00
Upside	+15.8%

Analyst(s)

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Stock Data

GICS Sector	Communication Services
Bloomberg ticker	AXIATA MK
Shares issued (m)	9,186.3
Market cap (RMm)	23,792.4
Market cap (US\$m)	5,758.1
3-mth avg daily t'over (US\$m)	3.3

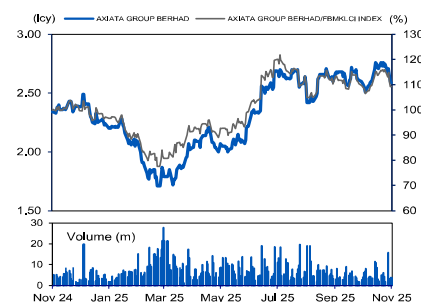
Price Performance (%)

52-week high/low				RM2.79/RM1.63
1mth	3mth	6mth	1yr	YTD
(0.4)	(1.9)	27.6	11.2	4.0

Major Shareholders

	%
Khazanah Nasional Bhd	36.4
Employee Provident Fund	19.0
Skim Amanah Saham	16.6
FY25F NAV/Share (RM)	0.91
FY25F Net Debt/Share (RM)	1.85

Price Chart



Source: Bloomberg

Company Description

Mobile operator.

- **Continued balance sheet optimisation across the group.** Axiata improved its balance sheet health with net debt/EBITDA reduced to 2.61x vs 2.76x in 2Q25. This reflects partial RM631m EMTN redemption at holding company level, a RM611m sukuk repayment by Edotco, and a US dollar debt reduction by Robi.
- **Promising market repair in frontier markets.** Both SMART and Dialog extended their ARPU and subscriber growth trend, alongside XLSmart which reported a 10% qoq ARPU growth. This promising trend is attributable to market consolidation efforts in Sri Lanka, Bangladesh, and Indonesia, where the industry is predominantly shaped by a three-player dynamic. This in turn paves the way for tariff uplift and longer-term margin expansion.
- **Linknet remains under pressure despite wholesale revenue stabilising.** As Linknet continues its transition into a pure wholesale fibre company, the company has seen its revenue base stabilising on the back of revenue adjustments on broadcasting services coupled with the rollout of 430,000 new home passes (for non-XLSmart customers) to support its existing 4m home passes. However, structural cost issues (huge bad debts and high operating costs) and intense competition continue to remain a drag on bottom line.

3Q25 Performance Of Operating Companies (OPCOs)

Robi (Bangladesh)	- Revenue fell 2% qoq due to seasonality and coincides with the monsoon period. - Consequently, EBIT and PATAMI fell 15% qoq and 6% qoq respectively. Lower revenue base was part offset by reduced dealer commissions and finance cost.
Dialog (Sri Lanka)	- Revenue grew 4% qoq, underpinned by robust growth in the mobile segment (19% from organic growth and 16% from Airtel consolidation). - EBIT (+21% qoq) and PATAMI (+12% qoq) rose on the back of cost discipline and merger synergies.
SMART (Cambodia)	- Ytd revenue rose only 4% yoy despite recording prepaid ARPU expansion and double-digit enterprise growth, due to pressure caused by the Cambodia and Thailand border conflict. - YTD EBIT (+6% yoy) and PATAMI (+6% yoy) rose on the back of lower marketing cost.
Edotco	- Revenue dropped 6% qoq – primarily caused by adverse forex translation from subsidiaries, decommissioning of CelcomDigi tenancy and one-off revenue from MCMC in the previous quarter. - EBIT (-16% yoy) and PATAMI (-87% qoq) mainly stemmed from adverse forex translation and favourable tax provisions in the preceding quarter.

Source: Axiata, UOB Kay Hian

Valuation/Recommendation

- **BUY on weakness with a SOTP-based target price of RM3.00.** Against a backdrop of balance sheet deleveraging and operating cash flow discipline, we expect management to pay out a DPS of 10 sen for 2025. This translates to a dividend yield of 4%.
- **Key re-rating catalysts** include: a) stronger opco performance in the upcoming quarters; b) narrowed Linknet losses; and c) the listing of EDOTCO, allowing for share price discovery.

Earnings Revision/Risk

- No change to earnings.

Environmental, Social, Governance (ESG)

Environmental

- Committed to achieving net-zero emission by no later than 2050 and reducing operational carbon emissions by 45% from a 2020 baseline.

Social

- Launched Organisation 5.0 supporting a future-ready mindset for employees.
- 30% women's representation in senior management team by 2025.

Governance

- >90% training completion for anti-bribery & anti-corruption, whistleblowing, data privacy and cyber security yearly.

Fair Value At RM3.00/Share

	Equity Value (RMm)	% of SOTP
Operating Companies		
Celcom	16,646	50%
XL Axiata	3,959	12%
SMART	3,748	11%
Robi	3,997	12%
Dialog	212	1%
Total OPCOs	28,562	87%
Edotco	8,316	25%
ADA	635	2%
Boost	534	2%
Link Net	1,500	5%
Holding company debt	(6,533)	(20%)
Total (RMm)	16,646	50%
Axiata's SOTP (RM/share)	3.60	
Axiata's Fair Value (RM/share)	3.00	15% discount

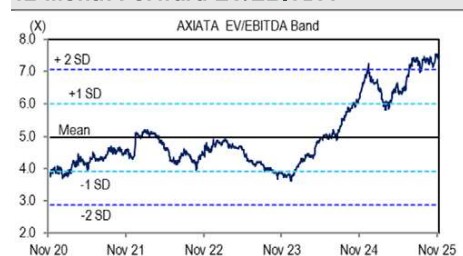
Source: UOB Kay Hian

Headline KPI (2025)

	FY25 Headline KPI¹ @ constant currency rate
EBIT Growth²	High single digit

Source: Axiata, UOB Kay Hian

12-Month Forward EV/EBITDA



Source: Axiata, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2024	2025	2026F	2027F
Net turnover	22,334.6	12,043.0	12,442.3	13,238.8
EBITDA	11,129.0	5,662.9	6,001.3	6,458.6
Deprec. & amort.	(7,341.2)	(3,933.5)	(3,942.4)	(3,954.1)
EBIT	3,787.8	1,729.4	2,058.8	2,504.4
Total other non-operating income	-	-	-	-
Associate contributions	450.9	692.5	722.4	787.8
Net interest income/(expense)	(2,079.4)	(1,221.3)	(1,195.8)	(1,087.3)
Pre-tax profit	2,564.5	1,200.6	1,585.5	2,204.9
Tax	(965.6)	(678.1)	(895.5)	(1,245.3)
Minorities	(652.0)	(94.8)	(94.8)	(94.8)
Net profit	946.8	427.7	595.2	864.7
Net profit (adj.)	852.2	427.7	595.2	864.7

Balance Sheet

Year to 31 Dec (RMm)	2024	2025	2026F	2027F
Fixed assets	25,521.6	22,086.4	19,504.5	17,660.1
Other LT assets	37,990.7	38,683.2	39,405.6	40,193.4
Cash/ST investment	4,860.4	-482.8	-318.3	-561.3
Other current assets	5,573.7	3,052.2	3,150.0	3,345.2
Total assets	73,946.5	63,339.1	61,741.9	60,637.4
ST debt	4,682.7	5,838.1	5,338.1	4,838.1
Other current liabilities	11,593.9	7,726.9	7,775.7	8,047.5
LT debt	18,508.2	11,008.5	10,091.1	9,173.8
Other LT liabilities	2,792.5	2,792.5	2,792.5	2,792.5
Shareholders' equity	21,193.2	20,702.3	20,378.9	20,325.1
Minority Interest	6,383.5	6,478.3	6,573.2	6,668.0
Total liabilities & equity	73,946.5	63,339.1	61,741.9	60,637.4

Cash Flow

Year to 31 Dec (RMm)	2024	2025	2026F	2027F
Operating	8,836.8	6,151.8	6,806.8	6,489.9
Pre-tax profit	2,564.5	1,200.6	1,585.5	2,204.9
Tax	(965.6)	(678.1)	(895.5)	(1,245.3)
Deprec. & amort.	7,341.2	6,446.0	5,692.4	5,154.1
Associates	(450.9)	(692.5)	(722.4)	(787.8)
Working capital changes	(782.1)	(1,345.5)	(49.0)	76.7
Non-cash items	(949.7)	-	-	-
Other operating cashflows	2,079.4	1,221.3	1,195.8	1,087.3
Investing	(5,459.1)	(2,942.8)	(3,125.6)	(3,324.7)
Capex (maintenance)	(5,055.2)	(3,010.7)	(3,110.6)	(3,309.7)
Others	(403.9)	67.9	(15.0)	(15.0)
Financing	(3,111.6)	(8,552.2)	(3,516.7)	(3,408.2)
Dividend payments	(918.3)	(918.6)	(918.6)	(918.6)
Issue of shares	12.1	-	-	-
Proceeds from borrowings	(1,651.2)	(6,344.4)	(1,417.4)	(1,417.4)
Others/interest paid	(554.2)	(1,289.2)	(1,180.8)	(1,072.3)
Net cash inflow (outflow)	266.2	(5,343.2)	164.5	(243.0)
Beginning cash & cash equivalent	3,388.6	3,151.6	(2,191.6)	(2,027.1)
Changes due to forex impact	(514.5)	-	-	-
Ending cash & cash equivalent	3,140.2	(2,191.6)	(2,027.1)	(2,270.1)

Key Metrics

Year to 31 Dec (%)	2024	2025	2026F	2027F
Profitability				
EBITDA margin	49.8	47.0	48.2	48.8
Pre-tax margin	11.5	10.0	12.7	16.7
Net margin	3.8	3.6	4.8	6.5
ROA	1.1	0.7	1.0	1.4
ROE	4.0	2.1	2.9	4.3
Growth				
Turnover	0.1	(46.1)	3.3	6.4
EBITDA	12.3	(49.1)	6.0	7.6
Pre-tax profit	23,177.4	(53.2)	32.1	39.1
Net profit	(172.0)	(54.8)	39.2	45.3
Net profit (adj.)	107.9	(49.8)	39.2	45.3
EPS	107.9	(49.8)	39.2	45.3
Leverage				
Debt to total capital	39.9	33.6	31.5	29.1
Debt to equity	109.4	81.4	75.7	68.9
Net debt/(cash) to equity	86.5	83.7	77.3	71.7
Interest cover (x)	1.5	1.3	1.8	2.4

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